Export Coal & Power Projects in Botswana

November 2013
Business to be driven by low-cost coal
Overview of AFR’s coal projects

1. Sese Integrated Power Projects (50-500Mt coal)
   - Joint Development Agreement with ACWA Power International
   - Multiple 300MW opportunities for domestic and export power

2. Mmamabula West Project (2,430Mt)
   - High-yield export quality project
   - Low-cost underground mining

3. Sese Export Project (>2,000Mt)
   - Large export tonnages possible
   - Successful export trial via Maputo

4. Mmamantswe Project (1,300Mt)
   - 20km from South Africa, the largest regional market for power
African Energy has developed a portfolio comprising three major coal projects in Botswana containing over 6.2 BT of thermal coal.

AFR and ACWA Power International submitted an Expression of Interest on 2nd October for a 300MW power station and associated coal mine at Sese in Botswana.

A Joint Development Agreement with ACWA Power has been executed. Key terms incorporate:

- ACWA Power will provide the equity required for the 300MW project, and will become the lead developer and operator.
- The financial returns to AFR at financial close and throughout the life of the project have been agreed.
- Collaboration on future projects.

Coal export studies and ESIA underway for the 2.4BT Mmamabula West project.
## Capital Structure and management

### CAPITAL STRUCTURE:
- **431,440,153** Ordinary Fully Paid Shares
- **$58M** Market Cap (4-Nov-13)
- **$4.5M** cash (30-Sep-13)
- **$5.0M** debt

### MAJOR SHAREHOLDERS:
- **17.3%** Sentient
- **9.0%** Management
- **4.0%** Independent Asset Mgmt
- **4.0%** Stacey Radford
- **3.7%** Republic Investment
- **51%** TOP 20

### BOARD MEMBERS:
- **Chairman (Exec):** Mr Alasdair Cooke
- **Managing Director:** Dr Frazer Tabeart
- **Executive Director:** Mr Bill Fry
- **Non-Exec Director:** Mr Philip Clark
- **Non-Exec Director:** Mr Valentine Chitalu
- **Non-Exec Director:** Mr Michael Curnow
- **Non-Exec Director:** Mr Ian Hume
- **Non-Exec Chairman (Botswana):** Mr Blackie Marole
Botswana: a safe place to invest
Four large markets for Botswana coal

1. Domestic power generation
   - AFR in a very strong position due to location and low generation cost

2. Power generation for export
   - Large regional demand in South Africa and to a lesser extent in Zambia, Namibia

3. Regional coal exports for power generation
   - To meet expected shortfalls in domestic coal availability in South Africa

4. Seaborne global coal market to Asia
   - Export via existing rail and port networks to Asian markets
Domestic power market

- Botswana 300MW greenfield tender process underway
- Power station to be producing electricity as early as 2016
- Sese is one of only two greenfield projects in Botswana capable of delivering power by end 2016
- AFR and ACWA Power International have formed a bid consortium and executed a Joint Development Agreement
- Expression of Interest (EOI) was submitted on 2nd October 2013

Sese deposit facts

Resource Summary (Raw coal on an air-dried basis)

<table>
<thead>
<tr>
<th>Resource Zone</th>
<th>Total Tonnes in situ*</th>
<th>CV (MJ/kg)</th>
<th>CV (kcal/kg)</th>
<th>Ash %</th>
<th>S %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEASURED (Block-B)</td>
<td>318 Mt</td>
<td>16.0</td>
<td>3,820</td>
<td>34.8</td>
<td>1.7</td>
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<tr>
<td>MEASURED (Block-C)</td>
<td>333 Mt</td>
<td>17.6</td>
<td>4,200</td>
<td>30.2</td>
<td>2.1</td>
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<tr>
<td>INDICATED</td>
<td>1,714 Mt</td>
<td>15.3</td>
<td>3,650</td>
<td>38.9</td>
<td>2.0</td>
</tr>
<tr>
<td>INFERRED</td>
<td>152 Mt</td>
<td>15.0</td>
<td>3,600</td>
<td>39.1</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,517 Mt</strong></td>
<td></td>
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</tbody>
</table>

Completed Resource Drilling:

- Drill Hole
- Measured Resource
- Indicated Resource
- Inferred Resource
Sese Integrated Power Project

- **Sese Integrated Power Project (SIPP)** comprises one or more 300MW CFB power stations plus 1.5Mtpa ‘captive’ coal mines
- Enough coal for 8 x 300MW projects over 25 years from Block-C Measured
- Low-cost fuel supply due to low strip ratio mining and minimal processing requirements
- Local source of low-cost limestone discovered by AFR <10km from SIPP (sorbent used to reduce SO₂ emissions)
- Water allocation from nearby Shashe Dam approved, final negotiations for abstraction licence underway
- EIA well advanced
South African power market (export)

- Integrated Resource Plan (IRP) stipulates an additional 42,500 MW of generational capacity by 2030

- South Africa likely to seek 1,000MW of new coal-fired IPP generation every year for the next 10 years

- AFR has submitted an RFRI proposal to supply an initial 300MW

- Mmamantswe project ideally located for this market due to proximity to border and key transmission links
Mmamantswe project

- Mmamantswe is less than 20km from South Africa
- Indicated resource of 1,296Mt, including 895Mt probable reserve
- 8GL/annum water borefield identified and registered
- Environmental impact assessment approved for 10Mtpa coal and 1000MW power
- Ideal coal for 1200MW mine-mouth power station exporting power to South Africa
CHINA:
China’s thermal coal demand will double by 2030, even after accounting for shale-gas ramp-ups
- Wood Mackenzie, June 2013

INDIA:
India has now surpassed Japan as the second largest importer of thermal coal at a rate of 130Mtpa
- Salva Report, May 2013

SOUTH AFRICA:
Largest regional market for coal and power with looming shortages of both
Mmamabula West project

- AFR acquiring the project for $2.5M subject to certain conditions
- Coal occurs in two 5m thick seams (K-Seam, A-Seam) and is 105m below surface
- 892Mt Indicated Resource plus 1,541Mt Inferred Resource
- A “preferred mining area” covering >25km² within the Indicated Resource contains coal which can produce a 6,100kcal/kg (adb) at ~75% yields
- 60km from rail, road, power and AFR owned water bore field
- EIA and feasibility study for a 4Mtpa underground export coal mine underway

<table>
<thead>
<tr>
<th></th>
<th>Av. Seam Thickness</th>
<th>Theoretical Yield %</th>
<th>CV (MJ/kg)</th>
<th>CV (kcal/kg)</th>
<th>Ash %</th>
<th>IM %</th>
<th>VM %</th>
<th>TS %</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-Seam</td>
<td>5.56m</td>
<td>71.79</td>
<td>24.85</td>
<td>5,950</td>
<td>16.66</td>
<td>6.94</td>
<td>30.57</td>
<td>0.76</td>
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<tr>
<td>A-Seam</td>
<td>4.58m</td>
<td>77.38</td>
<td>26.24</td>
<td>6,250</td>
<td>13.09</td>
<td>7.86</td>
<td>26.02</td>
<td>0.41</td>
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<tr>
<td><strong>Average</strong></td>
<td></td>
<td><strong>74.32</strong></td>
<td><strong>25.48</strong></td>
<td><strong>6,100</strong></td>
<td><strong>15.04</strong></td>
<td><strong>7.35</strong></td>
<td><strong>28.52</strong></td>
<td><strong>0.60</strong></td>
</tr>
</tbody>
</table>

Washing yields (adb) at RD 1.7 for the preferred mining area
Export to Asia; key infrastructure in place

- Maputo is the best short and medium term port option up to 20Mtpa, expansion to >100Mtpa
- Alternative routes through South Africa offer additional capacity (up to 10Mtpa) and create competitive market
- Successful 1600t trial export train to Maputo in Nov 2012 – proof of concept
- Prefeasibility study has determined current and future rail capacity on the Northern Corridor and developed models for affordable capital program and operating costs
- Working with key stakeholders to agree rail tariffs, allocations and port access
Concluding remarks

- Three major projects, 6.2 BT coal
- Multiple power projects proposed to the governments of Botswana and South Africa using AFR coal
- African Energy is working with ACWA Power to bring these projects to a successful conclusion
- The Mmamabula West project provides a high quality export opportunity
- All necessary infrastructure for coal exports is in place
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